

Message Text

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43

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 6208

C O N F I D E N T I A L CAIRO 11146

E.O. 11652: GDS

TAGS: EINV

SUBJ: INVESTMENT LAW NUMBER 43 REVISIONS CONSIDERED

1. AS DEPT AWARE IT HAS BEEN OBVIOUS FOR SOME TIME THAT INVESTMENT LAW NO. 43 IS INADEQUATE TO ATTRACT AMERICAN PRIVATE INVESTMENT. WE HAVE LONG SOUGHT TO MAKE THIS POINT TO GOE, BOTH AT THE OFFICIAL AND THE PRIVATE LEVELS. GOE HAS BEEN SLOW TO RECOGNIZE THIS FACT AND AS RECENTLY AS THREE MONTHS AGO MININFO OTEIFI ASSERTED EGYPT HAS THE BEST INVESTMENT LAW THAT HAS BEEN ISSUED ANYWHERE. GRADUALLY, HOWEVER, SENIOR EGYPTIAN MINISTERS ARE BEGINNING TO ASK THEMSELVES WHY THERE HAS BEEN SO LITTLE FOREIGN INVESTMENT AND SOME HAVE CONCLUDED THAT LAW 43 IS ONE (BUT ONLY ONE) MAJOR REASON.

2. SOME RELUCTANCE STILL EXISTS AMONG EGYPTIAN MINISTERS TO DEVELOP A NEW LAW ON THE GROUND THAT SUCH ACTION WILL BE GRIST FOR THE MILL OF GOE CRITICS WHO WILL CHARGE THAT IT DID NOT KNOW WHAT IT WAS DOING. (IT DIDN'T) IN DISCUSSIONS OF THE SUBJECT, WE HAVE SOUGHT TO POINT OUT THAT THE LAW COULD BE CHANGED BY AMENDMENT, WHICH IN TURN COULD BE JUSTIFIED ON THE BASIS OF EXPERIENCE OF THE PAST TWO YEARS. WE HAVE ALSO REMINDED MINISTERS, AS APPROPRIATE, THAT SEVERAL DOCUMENTS HAVE BEEN PROVIDED TO THE GOE IN THE PAST FEW YEARS SETTING FORTH BOTH USG AND PRIVATE AMERICAN
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INDUSTRIES' VIEWS ON HOW LAW 43 MIGHT BE STRENGTHENED.

NOT TOO LONG AGO, MINECONCOOP SHAFEI PUBLICLY ANNOUNCED THAT REVISION OF LAW 43 IS BEING CONSIDERED HE SUBSEQUENTLY TOLD THE AMB THAT A SPECIAL INTERMINISTERIAL COMMITTEE HAS BEEN ESTABLISHED TO STUDY THE LAW AND RECOMMEND REVISIONS. IT IS, OF COURSE, UNLIKELY THAT ANYTHING WILL BE DONE TO REVISE THE LAW UNTIL A NEW PEOPLES ASSEMBLY CONVENES LATER THIS YEAR.

3. INDICATIVE OF THE GROWING MINISTERIAL INTEREST THAT HAS DEVELOPED ON THE SUBJECT, BOTH MINFINANCE ABU ISMAIL AND MINRECONSTRUCTION OSMAN HAVE RECENTLY ASKED THE AMB TO PROVIDE THEM WITH INFORMATION ON HOW LAW 43 MIGHT BE REVISED TO BE MORE ATTRACTIVE TO WOULD-BE AMERICAN INVESTORS. OSMAN, WHO WOULD NOT NORMALLY BE CONCERNED, HAS BECOME SO IN HIS ADDITIONAL CAPACITY AS HEAD OF THE SPECIAL INTERMINISTERIAL COMMITTEE FOR AGRO-BUSINESS INVESTMENT, WHICH WAS RECENTLY ESTABLISHED BY PRESIDENT SADAT. AMB HAS TOLD THESE MINISTERS WE WOULD PROVIDE SUCH INFORMATION. WE ARE CURRENTLY ASSEMBLING VARIOUS SUGGESTIONS MADE IN THE PAST BY THE EMBASSY, TREASURY AND PRIVATE AMERICAN COMPANIES TO GIVE TO THESE MINISTERS. WE HOPE THEY WILL TAKE SOME OF THESE SUGGESTIONS TO HEART MORE SO THAN HAS BEEN THE CASE IN THE PAST.

4. THOUGHT OCCURRED TO US THAT, IN ADDITION TO OUR SUGGESTIONS, INFORMATION ON ACTUAL SUCCESS STORY LEGISLATION MIGHT ALSO HAVE SOME IMPACT. WE UNDERSTAND THAT IMF AND IBRD HAVE ALREADY AT SOME STAGE PROVIDED GOE WITH INFORMATION ON OTHER INVESTMENT LEGISLATION, BUT DO NOT KNOW EXTENT OF THIS INFORMATION. WE WOULD APPRECIATE DEPT PUTTING TOGETHER FOR EMBASSY PACKAGE IN AT LEAST THREE COPIES TEXT OF INVESTMENT LAWS WHICH HAVE PROVEN SUCCESSFUL IN VARIOUS COUNTRIES AROUND THE WORLD IN RECENT YEARS, E.G., SOUTH KOREA, INDONESIA, BRAZIL, MEXICO AND PERHAPS OTHERS. SUPPLEMENTAL ANALYSIS AND COMMENT WOULD ALSO BE USEFUL. THIS IS THE RIGHT TIME TO MOUNT ANOTHER MAJOR EFFORT TO PERSUADE GOE SUBSTANTIALLY TO REVISE LAW 43, ALL THE MORE SO SINCE THE INTERMINISTERIAL COMMITTEE IS REPORTEDLY STUDYING THE SUBJECT. WE ARE ALSO AWARE THAT CHASE MANHATTAN HOPES TO SUBMIT PROPOSALS AND

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HAVE SUGGESTED TO CHASE REPS THAT THEY NOT WAIT TO LONG TO DO SO.

5. AMB WOULD PROPOSE TO PRESENT SUCH MATERIAL AS WE PROVIDE DIRECTLY TO SHAFEI, ABU ISMAIL AND OSMAN IN THE HOPE THAT AN APPROACH AT THEIR LEVEL WILL RESULT IN SERIOUS STUDY OF MATERIALS. PLEASE ADVISE IF INFORMATION REQUESTED CAN BE FORWARDED TO EMBASSY

EXPEDITIOUSLY.
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